THE ROYAL BANK OF CANADA

Proceedings
of the
111th Annual Meeting
of Shareholders
Thursday, January 10, 1980

Three Challenges for the Eighties

An address delivered by
Rowland C. Frazee

President and
Chief Executive Officer
The Royal Bank of Canada

Perhaps I should have come here today with a crystal ball. The beginning of a new year and a new decade usually calls for something like that. I am more inclined, however, to agree with English writer, Thomas Carlyle, who said, "Our main business is not to see what lies dimly at a distance, but to do what lies clearly at hand."

I say this thinking of Canada. We here at the Royal Bank have devoted much time and thought to "what lies clearly at hand" for the Bank, and we have a blueprint for the 1980s. But what of the external environment? Our attention—as shareholders in the Bank and, more importantly, as shareholders in this great country—should be focused, I believe, on the needs of Canada.

Events of the past decade have transformed our world. The oil crisis set much of this change in motion. Never in history has there been such a massive transfer of wealth from one part of the world to another, and there is no end in sight. We are in the midst of a major shift in economic and political power. What is Canada's place in this new world? What does the new era demand of Canadians? What is it that lies "clearly at hand"?

The two principal agents of economic growth are labour and capital. A principal condition of economic growth is political stability. These are three foundation stones. In Canada, all three need to be strengthened if our country is to prosper in the 1980s and beyond. These are what lie "clearly at hand." One, we must make better use of our human resources. That is, we must gear our educational systems to the needs of the times. Two, Canadians must invest more in Canada, especially in industries that export or compete with imports. And three, we must remain united. These are the three subjects I want to talk about today.

I know that you, like all informed Canadians, are concerned about where we are headed. You look at our high inflation, our high interest rates, our low productivity, and our large internal and external deficits and—on top of all this—the threat to our unity. Inevitably you look to the future with anxiety.

Let me say at the outset that I am convinced that Canada's problems can be short-term, providing we make the right decisions today. However, the right decisions will require some dramatic changes of direction. We need to shift emphasis from consuming to investing, from importing to exporting, and from deficits to pay-as-you-go. The first step, and perhaps the hardest, will be to shake off some of our preconceived notions about ourselves.

For example:

We Canadians think of ourselves as doing a first-rate job in the field of education. The fact is, we don't. And the result is a tragic waste of potential, both for those who cannot find work and for the country as a whole.

We think of ourselves as forever rich, our wealth assured by our abundant natural resources. The fact is that natural resources alone will no longer provide the standard of living we demand. We must excel in other areas—which means we must invest in other areas—if we are to meet the soaring cost of our expectations.

We think of ourselves as a fair, broadminded and unprejudiced people. But are we? The fact is that too often in this country our two main language groups are divided by suspicion, hostility and intolerance. The result is a threat to our very existence as a nation.

We Canadians can no longer afford to flatter and delude ourselves. The stakes—our country and our prosperity—are too high, and it is already late in the game.

Before I go into these subjects—education investment, unity—let me make a few points about the general attitudes we bring to today's challenges. First, let's be glad we are anxious about the future. Any psychologist will tell you that when we face difficulties, an absence of anxiety is almost as great a handicap as too much. But of course we mustn't let it reach the stage where we become paralyzed.

Second, let's keep our problems in perspective. Let's remember that many industrialized countries face the same economic problems that we do, but what sets Canada apart is our long list of advantages. We in Canada have social, economic and political advantages that most people still only dream of. If any country is in a position to surmount difficulty, surely it is Canada.

Another asset today would be patience. Our economic problems did not appear overnight and they will not disappear overnight. If we get impatient, we'll start clamoring for short-term, band-aid measures, which would be a costly mistake.

We must be patient for results. But we must be impatient to tackle our problems—impatient to "do what lies clearly at hand."

Of the three areas that demand new attitudes and new policies, let us look first at education. Incidentally, I use the word in its broadest sense, to include vocational training. In the decades ahead, Canada's economic performance and thus our way of life will be determined largely by how well we educate Canadians in skills and disciplines that industry and business require.

So, our first question is: are we educating Canadians to meet the demands of the 1980s and beyond?

The answer unfortunately is no. Nearly 800,000 Canadians are out of work, and at the very same time, Canadian industry and business are being held back by shortages of qualified personnel.

Quite simply we are not training enough skilled workers. We've had to import bricklayers and millwrights, mechanics and electricians. We are not training enough managers. Yet many of our best schools of business are turning away potential students because universities are not channelling enough resources into business programs. We are not training enough scientists and engineers. The National Sciences and Engineering Council tells us our research and development will be stunted unless we attract more students and provide the laboratories and equipment they require.

And, finally, we are not training enough computer specialists. At a time when computers are essential to the effective functioning of industry, commerce and government, we have a 10 per cent shortfall of computer personnel and this is expected to grow to 25 per cent over the next four years, unless we do something about it.

Our needs for all these skills will skyrocket in the eighties. For instance, we want to be self-sufficient in oil. Oil exploration and recovery—especially offshore and in the Arctic—call for highly skilled workers and highly trained professionals. So our massive energy projects alone will accelerate demand. Furthermore, competition in world trade will, in effect, put a gun to our head.

International competition today has been described as carnivorous, This is no exaggeration, and it will get worse. The world's new trade rules open up new opportunities for our exporters, but they also ensure stiffer competition, even here in our home market. Newly industrialized countries are increasingly pushing us aside, mainly because of the cost advantage of their low wage rates. It's a tough world, and the winners—the survivors—will be those who excel in research and development, those who put high technology to work for them in their resource industries. Finally, the winners will be also those who excel in management. For today's educators, the message is clear: We must start to match skills and training with the needs of our country.

Secondly, we must accord higher prestige to blue collar work. American educator and scientist James Bryant Conant said, and I quote: "Each honest calling, each walk of life has its own elite, its own aristocracy based upon excellence of performance." We must encourage this attitude, and follow it up throughout our school system. Until educators meet this challenge, shortages in the skilled trades will continue.

If Canada gives as much attention to building an elite corps of skilled workers, managers, scientists, engineers and other highly trained professionals as we give to building a growing pool of hockey stars, many of our economic problems will disappear.

Education is, in effect, a national blind spot. A second one is investment. In this area, two questions demand attention.

One is the source of investment capital—an issue in this country because of the already high degree of foreign ownership. Total investment spending in Canada is expected to be $1.2 trillion in the 1980s, about 25 per cent of the Gross National Product.

Now Canada has always been heavily dependent on foreign savings to finance investments. These investments have brought impressive benefits to all Canadians. But in the 1970s, our reliance on foreign capital increased sharply to about double what it was in the sixties. There is no doubt in my mind that we must continue to welcome foreign capital. But a crucial question arises: with unprecedented needs in the 1980s, will we become even more dependent on the savings of foreigners? The decision is ours.

One thing is certain: If we ourselves do not invest more in Canada—and this means pressing for policies that encourage savings and investment—we forfeit our right to complain about foreign ownership.

We must face the fact that in the 1980s, Canada will be able to invest 25 per cent of our GNP only if there is a sharp increase in business savings and provided that personal savings remain at their current high levels.

But remember, personal savings, even when high, are not the major source of investment capital in Canada.

Nor can government savings be a major source in future. Government savings quite frankly have all but disappeared—thanks to huge operating deficits and vanishing pension surpluses.

The result is that we must rely on business savings to a far greater extent in the 1980s if we are to avoid increasing our reliance on foreign capital.

The stark reality is this: unless opportunities are created for corporations to have more after-tax, inflation-adjusted earnings, we have two, and only two, choices: more foreign capital, or a cutback in investment.

The other important question about investment is: where should we invest? Some of the opportunities are self-evident. Royal Bank economists estimate that energy projects alone will require over 200 billion dollars in the 1980s.

Increasing amounts of capital must also be channelled into the creation and application of new technologies. Our future prosperity depends on it.

And what is Canada doing? To begin with, we spend less on research and development than any major industrialized country. In recent years, our feeble efforts have been weakening. Our trade figures tell the story. We've had a deficit in our trade in high technology products since the 1960s and it gets bigger year by year. It has more than quadrupled since 1964.

If Canada is to prosper in the eighties we must expand our export markets on a broad front. This means—more than anything—ridding ourselves once and for all of our branch plant mentality. Now I am not talking about ridding ourselves of branch plants. I'm talking about the mentality, which is characterized by limited goals, limited efforts, and contentment with serving the limited domestic market. Let me stress that this mentality is not confined to foreign-owned businesses. Nervertheless, it is too often the case that foreign-owned subsidiaries are content to serve just the domestic market. Unfortunately, in some instances, this is corporate policy.

Canada has to channel investment into ventures that will be winners in international markets. There are a number of prominent examples of Canadian enterprises—both large and small—that have done very well on the world stage. But when you list them you run out of names very quickly. The challenge of the eighties is to produce more Canadian multinationals. This is not to detract in any way from the crucial role of smaller, independent business in Canada, but in the cutthroat world of international competition, size has its distinct advantages. The Royal Bank is a multinational, and we are proud of it. We have operations in 45 countries around the world and, as our chief general manager will be reminding you shortly, one-third of our earnings come from abroad. Because we are a multinational, we can serve Canadian exporters better, and therefore serve Canada better.

Canada cannot afford to limp into international markets. We need a strong presence—a large presence. Backing the winners will give us just that. It's a tough world out there, but as Joe Namath once said, "When you win, nothing hurts."

I come now to the most critical decision Canadians will make in this century. Ladies and gentlemen, we can have the best educated and trained workforce in the world, and we can have the best planned and executed industrial policy, but if Canada breaks up, we will be losers, big losers, each and every one of us, no matter what part of Canada we live in.

What we must decide is this: Is Canada to endure, or is Canada to become simply a name in a history book? Quebecers will answer this question—however phrased—in a referendum. But let's not forget that Canadians in all other parts of Canada will answer this very same question. The answers of Canadians outside Quebec will not be on a ballot. But their message can be equally clear: we want Quebec to remain part of Canada!

I believe Canadians outside Quebec would make a major contribution to Canadian unity by taking steps to respect and to increase the rights of French-language minorities. For example, it seems only reasonable that French-language schooling be readily available wherever demand justifies it.

A common response to this proposal is that Quebec, with language law 101, has reduced the rights of its English-speaking minority. True, and we must not cease to seek a reversal of that law's regressive aspects. But the fact remains that even today, law 101 notwithstanding, there is no comparison between the position of English-speaking Quebecers and the position of French-speaking Canadians in other provinces.

Quebecers, for their part, should continue to broaden their horizons. I believe that the French language and culture—and francophone participation in business and industry—are thriving as never before, and that opportunities for French-speaking Canadians have never been greater. I am convinced that the interests of Quebecers can best be served within Confederation. We know Canada cannot isolate itself. What would Quebec gain by endeavouring to do so?

The business community also has its responsibilities. The challenge to our nation is so fundamental that business cannot stand aside and say, in effect, "It's up to the politicians to sort this out." Among the ways we in the business community can help is to become involved, to encourage freedom of choice in schooling—where numbers justify it, to provide equal opportunity in jobs, and to point out from our own practical knowledge the vested interest which all Canadians have in preserving our country.

I have spoken today of three of the major challenges Canada faces as we enter the 1980s. What makes me optimistic is that each of the three is largely a problem created by past success and by present opportunity.

If we are short of certain skills, it is because more and more opportunities are opening up for them.

The same applies to investment. We need to invest more in Canada—because of our growing opportunities.

And it's the same with the threat to our unity. Even this has a positive aspect. Quebecers have never been more confident of their place in the world. Surely, this is positive. And it happened—let us remember—within our Confederation.

The opportunity provided by the Quebec situation is that it has spurred Canadians to think very seriously about Canada. Sometimes this is painful—and certainly it is a long drawn-out process—but out of our examination, reflection and debate will come change—constitutional and otherwise—that will enrich all Canadians.

Our challenge for the 1980s is clear. We must shape and achieve new educational goals. We must resolve to make Canada a name to be reckoned with in international markets. We must all work to keep Canada together. These three goals "lie clearly at hand." The world may be a difficult place. But Canada is entering a decade of opportunity. We must recognize that opportunity—together as a nation, and, together, we must grasp it.

Minutes of the 111th Annual General Meeting of the Shareholders

Montreal, January 10, 1980

The 111th Annual General Meeting of the Shareholders of the Royal Bank of Canada was held at the Head Office of the Bank in Montreal on Thursday, January 10, 1980 at 11:00 a.m. The Chairman of the Board, Mr. W. Earle McLaughlin, acted as Chairman of the meeting and the Secretary of the Bank, Mr. R.J. Moores, acted as Secretary of the meeting. The Chairman declared that as notice of the meeting had been duly given and a quorum was present, the meeting was properly convened. The Chairman appointed Messrs. Antoine Y. Lamarre and James W. Knox to act as Scrutineers.

It was moved by Mr. Claude Pratte Q.C. and seconded by Mr. Walter F. Light that the Minutes of the last Annual General Meeting of the Shareholders of the Bank held on January 11, 1979, a copy of which was sent to each Shareholder as required by the Bank Act, be taken as read and be approved.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

The Chairman referred to the Annual Statement, copies of which had been distributed to the Shareholders, and to the Directors' Report, and called upon the Secretary to read the Directors' and Auditors' Reports.

Directors' Report

The Directors of the Royal Bank of Canada have pleasure in submitting to the Shareholders the one hundred and tenth annual Directors' Report as well as the Annual Statement for the financial year ended October 31, 1979, which includes the Statement of Assets and Liabilities of the Bank, the Statements of Revenue, Expenses and Undivided Profits, and of Accumulated Appropriations for Losses of the Bank, the Statements of Assets and Liabilities of Controlled Corporations and the Auditors' Reports with respect to those statements.

In accordance with the usual practice, the assets of the Bank have been carefully valued and provision made for all bad or doubtful debts.

During the year, twenty-two branches were opened and sixteen were closed in Canada; and three were opened and five closed outside Canada. The total number of branches in operation on October 31, 1979 was 1,604 of which 1,522 were in Canada and 82 were in other countries; in addition the bank has a financial interest in 113 subsidiaries and affiliates throughout the world.

The Directors once again wish to place on record an expression of sincere appreciation to all members of the staff, both in Canada and abroad, for their contribution to the success of the Bank during the past year.

Respectfully submitted
(signed) W. Earle McLaughlin
Chairman

Montreal
January 10, 1980

The Auditors' Reports were then read by the Secretary (these reports appear on pages 42 and 46 in the Annual Report).

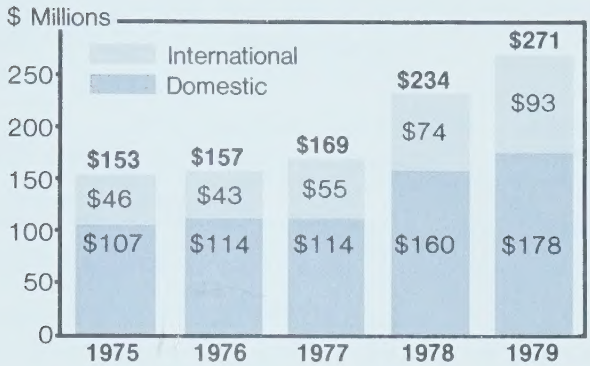
Before calling for the adoption of these reports Mr. McLaughlin called upon Mr. Rowland C. Frazee, President and Chief Executive Officer to address the meeting (the text of Mr. Frazee's address will be found on pages 1 to 5 of the Proceedings). He then called upon Mr. Robert A. Utting, Executive Vice-President and Chief General Manager, to address the meeting. (A fuller Report on the Year's Operations by Mr. Utting is presented on pages 8 to 35 of the Annual Report.)

The Chief General Manager's Address

During 1979 we have continued our efforts to identify and meet our customers' needs but it has not been what may be described as an "easy" trading year. Considerable uncertainty has dominated economic activity generally and while we have recorded substantial increases in some sectors of our business, other sectors have not fared so well.

Quarterly Federal Government statistics which compare year over year profit growth by industries indicate banks as well as the financial services industry generally have been pretty well at the bottom of the heap during 1979. Considering the banking industry in Canada has had an indifferent profit year in 1979, we can regard our overall results as good but not excessive.

Balance of Revenue After Tax



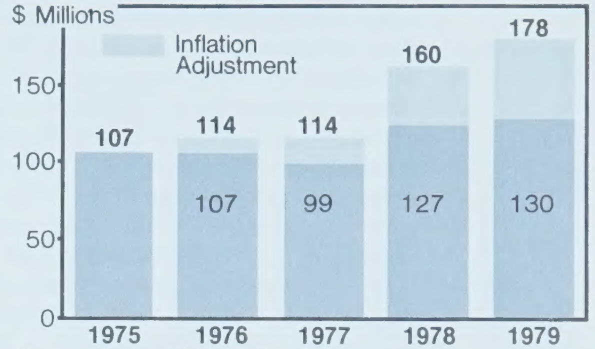
In retrospect our Balance of Revenue after tax, amounting to $271 million, an increase of $37 million or 16 per cent over the $234 million earned last year, now looks quite favourable. On a per share basis this represented earnings of $7.40, compared to $6.39 in 1978.

In dollar terms, both Domestic and International operations contributed equally to the increase in earnings. The rates of growth, however, were very different. As a result of the difficult trading environment, domestic earnings rose only 12 per cent as compared with last year's 40 per cent increase.

On the international side, earnings rose 25 per cent or $19 million to $93 million. For the third year growth rate in International operations earnings has been in excess of 25 per cent.

To return specifically to Domestic earnings it is important to measure our results in still another fashion since serious misrepresentations about bank earnings are enunciated regularly. Our Domestic earnings have risen from $107 million in 1975 to $178 million this year; a compound annual average growth rate of 13.6 per cent which is perhaps commendable enough. If we restate these earnings using 1975 as the base year and adjust the earnings by the Consumer Price Index, (or eliminate the inflation factor), we see a different pattern.

Domestic Balance of Revenue After Tax

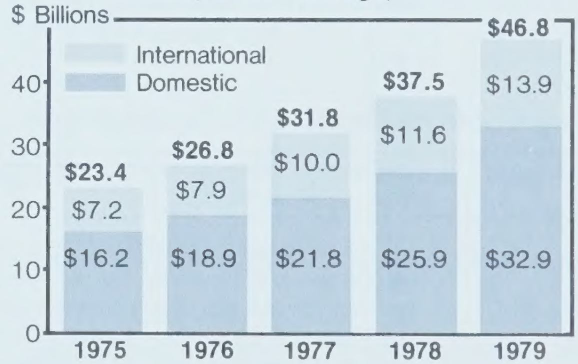


Compound Annual Average Growth:

Statutory Domestic Earnings	13.6%
Deflator	8.6%
Inflation Adjusted Domestic Earnings	**5.0%**

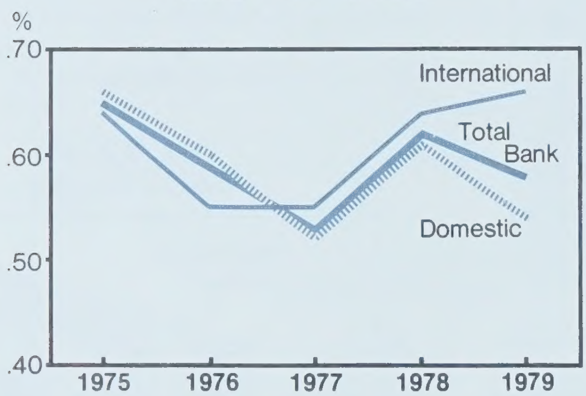
In 1975 dollars, our 1979 earnings would only amount to $130 million, a compound annual average growth rate of 5.0 per cent. When it is considered our assets are almost doubled, a real increase of 5 per cent in Domestic earnings certainly does not constitute an inordinate increase achieved at the expense of the Canadian consumer.

Total Assets
(Annual Average)



Annual average total assets reached $46.8 billion, a fairly rapid increase of 25 per cent over last year. In August assets passed the $50 billion mark and climbed to $51.7 billion at October 31. Average Domestic assets rose 27 per cent to $32.9 billion. A significant portion of our Domestic assets growth was related to our increase in holdings of term preferred shares and income debentures of Canadian issuers, which tripled to $2.7 billion. International Average Assets climbed 20 per cent to $13.9 billion. International Assets were augmented by several foreign consolidations. We added three British subsidiaries, RBC (London) Limited, RBC Holdings (UK) Limited and Western Trust & Savings Limited as well as our German subsidiary Burgardt & Nottebohm Bank A.G. These added approximately $1.3 billion to year end assets and $400 million to International Annual Average Assets.

Return on Assets



The measure by which many judge our performance is return on assets—that is, the ratio of balance of revenue after tax to average assets. In 1979 our return on assets fell marginally from .62 per cent in 1978 to .58 per cent this year. In other words, we earned 58 cents for every $100 of assets.

Over the past several years an interesting pattern developed. In 1975 and 1976 we saw Domestic operations providing a higher return on assets than International, but for the past three years, International has generated the higher returns. In 1979 Domestic return on assets fell 7 basis points to .54 per cent while International rose 2 basis points to .66 per cent.

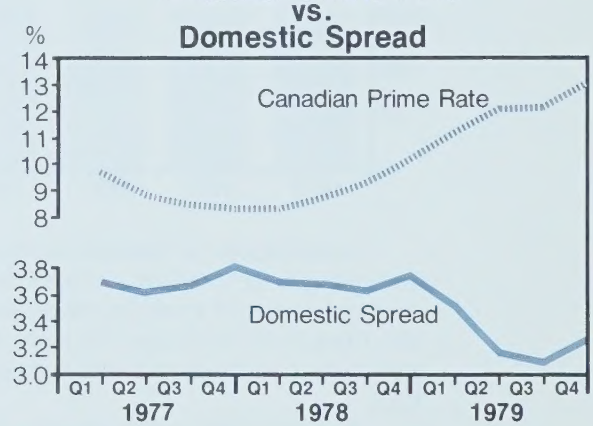
Domestic Highlights per $100 of Assets

	1978	1979
Taxable Equivalent Spread	$3.68	$3.24
Other Operating Revenue	.71	.67
Non-Interest Expenses	3.17	2.85
Taxes (taxable equivalent basis)	.61	.52
Return on Assets	**$ .61**	**$ .54**

When we examine the whole question of spread or margin of profit on money this becomes all the more apparent.

You will note our Taxable Equivalent Spread, which is spread on domestic business as if fully taxable, declined by 44 cents. Although this decline was partially offset by an improvement in our non-interest expense ratio, it was not sufficient to maintain the level of return on assets which fell 7 points to .54.

Canadian Prime Rate vs. Domestic Spread



To illustrate why "spread" in 1979 was a major concern for management, we compare taxable equivalent Domestic spread over the past three years, with the trend of Canadian prime rate.

As prime rate increased in 1979, Domestic spread fell to a lower level than maintained in 1977 and 1978. In fact Domestic spread was the lowest for the last five years.

Stated another way, we simply were unable to pass on the rising cost of buying money when increases occurred. Notwithstanding headlines to the contrary through most of 1979, it may surprise most of you if I suggest that insofar as banking is concerned, the past year might be labelled quite appropriately "The Year of the Consumer." He was less badly hurt.

In the retail or consumer market, depositors received increases in interest paid on Bonus Savings accounts promptly as rates rose—while on the other hand, the same group of clients were able for most of the year to obtain mortgages or TermPlan loans at rates which lagged significantly behind the rises.

I should like to be able to report that it had been possible to treat the small businessman in similar fashion. But this was not to be, and the business community generally faced steadily rising money costs—as did we.

It is simply not accurate to suggest banks automatically make more money in periods of high interest rates.

I reported last year that rate increases brought us temporary benefits which are later reversed and this in fact occurred through the second and third quarters of 1979. Our fourth quarter results may foreshadow similar performance in 1980 if conditions are duplicated.

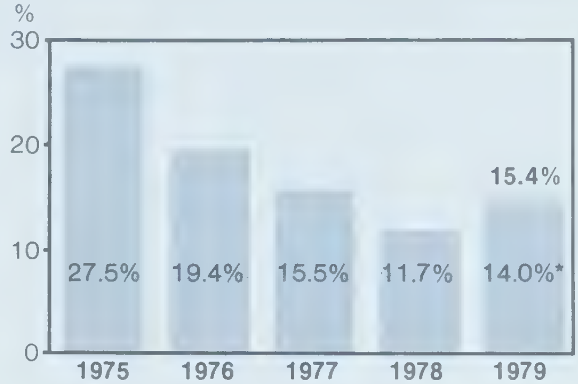
International Highlights per $100 of Assets

	1978	1979
Taxable Equivalent Spread	$1.45	$1.65
Other Operating Revenue	.63	.64
Non-Interest Expenses	1.12	1.14
Taxes (taxable equivalent basis)	.32	.49
Return on Assets	**$ .64**	**$ .66**

International spread per $100 of assets, on the other hand, rose substantially while non-interest expenses were virtually unchanged. The 2 cents higher profitability coupled with the increased volumes, generated the substantially higher dollar earnings of our International operations.

We would emphasize that as this business is separate from our Domestic business, Canada is in no way deprived. Indeed, being the multi-national the President mentioned, our earnings from international business ultimately benefit the Canadian economy.

Growth Rate of Non-Interest Expenses



* Growth rate excluding new consolidations

Non-interest expenses (including the loan loss provision) increased by 15.4 per cent over last year. While higher than last year, it is still lower than any of the preceding three years and to avoid misinterpretations it is important to relate that a major factor was the initial consolidation of the aforementioned subsidiaries. Excluding this, the growth in non-interest expenses would have been 14.0 per cent. However, our non-interest expenses did grow less rapidly than our average assets, indicating improved productivity, and control of the increase in non-interest expense continues to be an important concern of management.

Highlights of 1979 Consolidated Results

	Fully Consolidated	Statutory Basis	Difference $	Difference %
Total Assets ($ Millions)	$53,572	$51,722	$1,850	4%
Balance of Revenue After Tax ($ Millions)	$284.7	$270.7	$14.0	5%
Earnings per Share	$7.78	$7.40	$0.38	5%

This is the third year we are presenting a comparison of how the bank would look if we consolidated our figures according to the accounting rules proposed under the new Bank Act. On a fully consolidated basis, we would be a bigger bank by $1,850 million—and we would have an extra $14.0 million in earnings, which would represent an additional 38 cents per share.

I should like to make one final reference to taxation. Taxes and taxation are an integral part of every day life for every citizen—corporate or private. The very words permeate our thinking and our lifestyle in almost obsessive fashion.

Governments on the other hand although dealing in taxation—"their main stock in trade"—are obsessed really with revenues—direct or indirect.

I have referred earlier to the drop in corporate income tax provision so perhaps it is only fitting to comment on the extent of increased revenue flows to the Federal Government during 1979. Our business relationship with the Government is an interesting one, if not unique. The Receiver General carries a very substantial deposit account with us— over a billion dollars on average—on which we pay top rates of interest.

In our case we are obliged to maintain an even bigger deposit account with the Bank of Canada on which we receive no interest.

Considering the sharp rise in interest rates, it requires only the simplest of mathematical calculations to establish that the increase in revenue to the federal treasury in 1979 over 1978 from these two sources in large measure offsets the decline in income taxes. It is important that as shareholders you should be aware that not only does this represent a material cost factor which weighs heavily against the profits we are able to report to you but, perhaps more important, that you understand the real picture, should you be challenged by our detractors about the role "your bank" is playing in the field of taxation and revenue.

Apart from banks, no other members of the financial services industry in Canada play such a role.

Behind the actual figures are many activities designed to serve our markets better.

International

The Royal has continued to demonstrate its ability to meet foreign competition and, as the financial detail shows, we have expanded our international business substantially during the past year.

As our President has emphasized, Canada must trade in order to survive and we know that there will continue to be opportunities for the Bank in the international arena, but world markets both for us and our Canadian customers who deal abroad are becoming fiercely competitive.

The Bank has initiated a series of moves to expand our role in world markets:

- Acquisition of 100% of Burgardt & Nottebohm Bank in Germany.
- The establishment of our merchant bank subsidiary in London.
- Acquisition of Western Trust and Savings—a U.K. retail banking operation.
- A planned increase of capital in our U.S. subsidiary, Royal Bank and Trust Company, of $100 million.
- Transfer area management to New York.
- Elsewhere in the United States, the Bank opened a branch in Portland, Oregon, and representative offices in Denver and Pittsburgh.
- Latin America and the Caribbean continues to be a very important area for the Royal Bank and represents a substantial part of our international business.

  In Brazil, we have opened a representative office in São Paulo.

  In September, we opened a regional representative office in Buenos Aires, Argentina.

  In November, the Royal Bank opened a representative office in Mexico City.
- In Middle East & Africa, we are planning to strengthen our representation and market activities in the area.
- Turning to the Asia/Pacific area, we established in May The Royal Bank of Canada (Asia) Limited in Singapore, to supplement the activities of our branches in Hong Kong and Singapore.

Retail Banking

Retail Banking, with $9.3 billion of our assets, is the largest segment of the Bank's domestic business.

An important new service introduced during 1979 was the daily interest savings account known as "The Calculator".

We also launched a training program to upgrade the knowledge of our branch staff about the variety of services available making it possible for individual employees to offer a fuller range of assistance, reducing the need for customers to go to several different staff members to do their banking.

Mortgages

The Bank remained a leader in providing mortgage funds by lending $1.4 billion to more than 31,000 Canadian families to purchase homes. We reached a milestone during 1979—the total of mortgages owned by the Bank or under administration for other investors passed $5 billion and by year-end had reached $5.5 billion for a total of 190,000 mortgage accounts.

Commercial Banking

While Retail Banking meets the needs of individuals, our Commercial Banking operations meet the financial requirements of small businesses and larger commercial enterprises including specialized areas such as agriculture, fishing, oil and gas, and forestry.

Independent Business

Canada's chartered banks are the nation's leading source of credit to small independent businesses. This group of customers is very important to the Royal Bank, not only because they represent a substantial volume of business for us, but because they contribute to Canada's economy and are, as a group, the largest employer of Canadians.

The Bank's loans this year to independent businessmen, including farmers and fishermen, totalled approximately $5 billion and represented close to 96 per cent of the number of business borrowers.

Because we were among the first to recognize the marketing possibilities, the Royal Bank is today the foremost lender in the rapidly growing field of franchise financing in Canada.

Another initiative has been the introduction of AutoPlan Centres in Toronto, Calgary, Ottawa and Montreal, with further expansion scheduled for other major centres this year.

Additional Services

Our services to both large and small Canadian businesses are expanding in the area of leasing through our wholly-owned subsidiary, RoyLease Limited, which has grown dramatically this year both in terms of volume and its range of services.

Personnel

Banking is still a "people" business and for this reason we have always maintained that our greatest asset is our staff.

As the leading Canadian bank, we frequently are in the forefront of implementing new banking services and technologies which mean greater pressures and challenges for our staff. I repeat, it has not been an "easy trading year" and the results reported today reflect in no small measure the zeal and dedication of our staff of 36,000 people in all parts of the world for which we are all most appreciative.

Reflecting the growing educational needs referred to by the President earlier, the Bank has in place a number of career training programs beginning at the high school and community college levels, and graduating to outside courses for senior management. These programs reflect the Bank's policies of promotion from within and on-the-job training.

In addition to the Bank's training programs, we have made possible employee self-improvement by instituting our "Opportunities" program. This permits employees to nominate themselves for potential openings in a variety of banking positions and the response has been very positive.

The "Opportunities" program is one result of recommendations about 18 months ago by the Royal Bank Task Force on the Status of Women. Other results were the appointment of an Equal Employment Opportunities Co-ordinator and the amendment of a number of policies and procedures affecting the advancement of women in the Bank.

The role of the Equal Employment Opportunities Co-ordinator has been expanded to apply to discrimination in all forms.

Another very important aspect of personnel relations is, of course, two-way communication. We have always stressed this, but in today's environment it is assuming even greater importance, and we are determined to stay in the forefront in this area.

The past year has not seen the Bank Act revised and there is little new to be said at this point.

When we mailed our report to you of our third quarter results we made particular reference to profits and the role they play in building a stronger bank through an expanded capital base. Additionally, we emphasized that participation in our earnings was widespread across Canada through our 32,000 shareholders and that it reached indirectly into many Canadian homes through individual investments, life insurance plans, retirement savings plans, company pension funds, or such broadly based investment institutions as the Caisse des Dépôts in Quebec. In short, most Canadians have a real stake in our continued well-being!

Mr. Chairman, at the beginning, you mentioned this was the 111th Annual Meeting of what started as the Merchant's Bank.

Our principal business remains the buying and selling of money. As with all merchants, our ability to produce a spread or margin of profit depends, more than anything else, on our success on the buying side—what we pay for our merchandise, money, and what our services cost to deliver. As you have seen, it is not easy to maintain spreads at high levels during periods of high interest rates.

Continued diligence in buying in order to ensure good service to our customers at reasonable prices, consistent with an acceptable return to all those who participate directly or indirectly in shareownership, remains our pledge.

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It was moved by Mr. W.O. Twaits, C.C. and seconded by Mr. Ian D. Sinclair

THAT the Directors' Report and the Annual Statement for the financial year ended October 31, 1979, as well as the Auditors' Reports with respect to the Statements included in the Annual Statement be adopted.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

It was moved by Mr. Peter Harris and seconded by Mr. Brian Magee,

THAT Mr. Robert M. Rennie, C.A. of Touche Ross & Co., and Mr. Gerald J. Wareham, C.A., of Price Waterhouse & Co., be and they are hereby appointed to be the auditors of the bank until the next ensuing Annual General Meeting of the Shareholders, and that their remuneration be fixed at a sum not to exceed $325,000 to be divided between them.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

It was moved by Mr. P.L.P. Macdonnell and seconded by Mr. C.S. Malone—THAT W. Earle McLaughlin, Rowland C. Frazee, Jock K. Finlayson, W.D.H. Gardiner, H.E. Wyatt, R.A. Utting, J.C. McMillan, A.H. Mitchell, R.C. Paterson and A.R. Taylor, executive officers of The Royal Bank of Canada, and each of them acting alone, be and he is hereby appointed the true and lawful attorney of The Royal Bank of Canada, for and in the name of The Royal Bank of Canada, to attend and vote or appoint proxies, to attend and vote at any and all meetings of the shareholders and to sign any shareholders' resolution in lieu of meetings of each corporation controlled by the Bank and of any and every other corporation any of whose outstanding shares are for the time being held by the Bank, and at any and all adjournments of such meetings, in respect of the shares held by the Bank in any such corporation. The foregoing to remain in full force and effect until the next Annual General Meeting of the Shareholders of The Royal Bank of Canada.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion carried.

Before declaring the meeting open for the nomination of Directors, Mr. McLaughlin said:

As is inevitable from time to time certain directors, because of the age limitation are ineligible to stand for re-election. Today there are two such directors.

Mr. John Duquet, who was first appointed to the board in December, 1957—over 22 years ago—and Mr. Leonard Lumbers, who was appointed to the board in 1969, are in this category. For their devoted interest on behalf of the bank during all those years, we express our sincere gratitude. As well three other directors are not presenting themselves for re-election today. Mr. L.G. Desbrisay, appointed to the board in 1973, because of a change in his business interests; Mr. Kelly H. Gibson, appointed to the board in 1972, because of illness which hinders his mobility; and Mr. Pierre A. Salbaing, appointed to the board in 1973 because he has moved to Paris are all standing down from the board. To these as well, for the keen interest they have evidenced on behalf of the bank during their years of office, we extend our sincere thanks.

I now declare the meeting open for the nomination of directors. Mr. T. Denis Jotcham nominated the following persons to be Directors of the Bank:

The Rt. Hon. Lord Adeane, D.S. Anderson, John A. Armstrong, Ian A. Barclay, T.J. Bell, M.C., G.H. Blumenauer, G. Allan Burton, D.S.O., E.D., LL.D., R.B. Cameron, O.C., D.S.O., John H. Coleman, Frank B. Common, Jr., Q.C., F.M. Covert, O.B.E., D.F.C., Q.C., Camille A. Dagenais, Mitzi S. Dobrin, G. Campbell Eaton, O.C., M.C., LL.D., C.D., Jock K. Finlayson, Rowland C. Frazee, W.D.H. Gardiner, Floyd D. Hall, Sir Charles Hardie, C.B.E., David S. Holbrook, Walter F. Light, Tong Louie, P.L.P. Macdonnell, Q.C., J.D. Maclennan, Clifford S. Malone, F.C. Mannix, J. Pierre Maurer, Dawn R. McKeag, W. Earle McLaughlin. J.P. Monge, Pierre A. Nadeau, Paul Paré, Neil F. Phillips, Q.C., Herbert C. Pinder, Claude Pratte, Q.C., L. Merrill Rasmussen, Charles I. Rathgeb, A.M. Runciman, P.R. Sandwell, Ian D. Sinclair, P.N. Thomson, John A. Tory, Q.C., W.O. Twaits, C.C., C.N. Woodward, H.E. Wyatt.

Mr. George Holland seconded the nominations.

The Chairman then asked if there were any further nominations.

It was moved by Mr. F.E. Case and seconded by Mr. Hubert Godin:

THAT the nominations be closed and that each of the persons nominated be elected a Director of the Bank.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

Mr. J. Pierre Maurer, expressed the thanks of the shareholders to the Executive Vice-President and Chief General Manager as well as the officers and staff of the Bank for the efficient manner in which they have performed their respective duties.

Mr. Robert A. Utting replied on behalf of the officers and Mr. P.H. Hofmann replied on behalf of the staff.

The Chairman asked if there was any further business to come before the meeting. He then recognized Mr. William R. Davis, a shareholder. Mr. Davis indicated he was representing the United Church of Canada and others whose proxy he held and stated he wished to question the Bank concerning its Opportunities for Women Programme. Noting that this had already been referred to by the Chief General Manager during the meeting, he nevertheless wished to know if the Bank were satisfied with the results of its programme and whether there were any statistics or comments which could be communicated to the meeting. Mr. Frazee replied mentioning the programmes which the Bank has implemented and the significant results achieved to date.

The Chairman then asked if there was any further business to come before the meeting and said—

If there is no further business, before declaring the meeting terminated, I should like to say a few words.

The first annual general meeting that I chaired was in January 1961. This one, twenty meetings later, will be the last, in view of my retirement on September 30th next. I shall continue as a director of the bank and next year, I am looking forward to sitting down there, in the front row with the board, in my capacity as a spectator. There are many things that I could say about the past two decades but this is not the time, and there is another reason.

Some of you who have been coming to these meetings over many years, may remember the late A.J. Livinson—an enthusiastic shareholder who invariably spoke—but kindly—at the conclusion of the meetings. Those present always looked forward to Mr. Livinson's remarks as he usually was the only speaker (those were in the days before Task Forces and other tolerable trials). But Mr. Livinson always quoted from the Book of Psalms and I felt compelled to reply with like quotations so it became an interesting verbal duel.

In thinking over these twenty meetings, Mr. Livinson came to mind. The reason I am not going to recite how much the bank has grown and prospered during this time is that I can just see the ghost of Mr. Livinson down there rising up and pointing its finger at me and quoting the third verse of the twelth Psalm "The Lord shall cut off all flattering lips and the tongue that speakest proud things".

Therefore, without further "adieu", I declare this my last meeting terminated.

R J Moores

(signed) R.J. Moores
Secretary

W. E. McLaughlin.

(signed) W. Earle McLaughlin
Chairman